

Service Area Plan

Department of the Treasury

Check Processing and Bank Reconciliation (73216)

Service Area Background Information

Service Area Description

This service area prints and distributes Commonwealth checks and reconciles Commonwealth bank accounts.

Products and services include:

- Printing and distribution of Commonwealth checks, including state payroll, retirement, tax refunds, social service benefit and child support, unemployment benefit, and vendor payment checks
- Reconciliation of state treasury bank accounts on a monthly basis to the records of the State Comptroller
- Reconciliation of the state treasury cash position daily in conjunction with the Department of Accounts
- Processing of requests by state agencies for stop payments on vendor payment and payroll checks
- Processing of forgery claims relating to all check types
- Maintenance of a database of paid Commonwealth vendor payment and payroll checks for research and information purposes
- Research and resolution of outstanding debits and credits on state bank accounts
- Administration of the Commonwealth's unclaimed property statutes as it relates to outstanding vendor payment and payroll checks
- Daily monitoring of the Commonwealth's disbursement and credit card accounts for unauthorized activity

Service Area Alignment to Mission

This service area directly aligns with the Department of the Treasury's mission of serving the Commonwealth by providing excellent financial management and outstanding customer service.

Service Area Statutory Authority

Code of Virginia §2.2-1810 requires the State Treasurer to reconcile State bank accounts monthly.

Code of Virginia §2.2-1821 and §2.2-1825 authorizes the State Treasurer to issue checks signed by the State Treasurer drawn upon warrants issued the State Comptroller.

To ensure compliance with Code of Virginia §2.2-1802 and §2.2-1803 by state agencies and institutions, Bank Reconciliation monitors compliance with the Commonwealth's depository requirements for state funds,

Code of Virginia §2.2-1826 and §2.2-1827 authorizes the State Treasurer to issue replacement checks for checks that have been lost or destroyed before having been paid.

To meet the requirements of the Uniform Commercial Code §8.4-406, Bank Reconciliation monitors for unauthorized transactions posting to the Commonwealth's bank accounts.

Code of Virginia §2.2-1811 requires the State Treasurer to report and remit outstanding Commonwealth checks to Treasury's Division of Unclaimed Property in accordance with the Commonwealth's unclaimed property statutes.

Code of Virginia §2.2-1812 authorizes the State Treasurer to certify to the validity of canceled Commonwealth check copies which when certified are admissible in evidence as an original check.

See Appendix A for additional statutory authority for this service area.

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Service Area Customer Base

Customer(s)	Served	Potential
Boards and Authorities	11	11
Business Partners	50	50
Executive Branch Officials, Agencies and Institutions	108	108
Intra-Agency Staff	116	116
Legislative Branch	140	140
Virginia Citizens	7,500,000	7,500,000

Anticipated Changes In Service Area Customer Base

Other than future bank mergers and consolidations, we do not anticipate changes in our customer base in the near future.

Service Area Partners

Department of Accounts

Provides Treasury receipt and disbursement transactions of the Commonwealth as recorded per its general ledger system. Treasury uses this information to reconcile to bank activity.

Service Area Partners

Department of Accounts for vendor payment and payroll checks, the Virginia Retirement System, the Department of Social Services, the Department of Taxation, and the Virginia Employment Commission

The Department of the Treasury issues Commonwealth checks on behalf of these agencies. Treasury works closely with these agencies to address check production and payment issues.

Service Area Partners

Financial Institutions

Provide banking services and products.

Service Area Partners

Private sector vendors and contractors

Provide goods and services to the agency.

Service Area Products and Services

- Printing and distribution of state checks.
- Printing and distribution of payroll direct deposit notices.
- Reconciliation of state bank accounts.
- Check stop payment and re-issuance services.
- The processing of forgery claims relating to state checks.
- Maintenance of a check imaging retrieve system for paid state checks.
- Research and resolution of outstanding debits and credits on state bank accounts.
- The transfer of the balances of outstanding Commonwealth checks to Treasury's Division of Unclaimed Property in accordance with state statutes.
- Certification to the validity of copies of Commonwealth checks upon request.

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Factors Impacting Service Area Products and Services

- Treasury monitors changes in U. S. Postal regulations closely and their impact on its check production and distribution services. In addition to printing Commonwealth checks, Treasury barcodes and presorts the seven million checks it prints to mail at discounted postage rates.
- Treasury continues to evaluate the new products and services offered by the financial services community to determine their benefit to the Commonwealth to improve services and safeguard Commonwealth financial assets.

Anticipated Changes To Service Area Products and Services

- The U. S. Postal Service may raise postage rates again in calendar 2007. Under the filing with the Postal Rate Commission in calendar year 2006, first class mail automation rates were raised \$.016 per piece of mail. Treasury mails approximately 3,075,000 checks annually for which it pays the postage costs. These checks include vendor payments, tax refund, and retirement checks.
- Treasury continues to encourage the use of electronic payment mechanisms instead of checks as a means to make payment to state clients, taxpayers, retirees, employees, and vendors. Since Treasury charges the Department of Social Services, the Virginia Employment Commission, and the Virginia Retirement Systems for its check production services, as these agencies switch to electronic payment mechanisms over checks, it will impact the cost of Treasury's check production services and the funding streams to pay these costs. The switch to electronic payments will need to be monitored closely going forward so the impact on the check processing function can be evaluated and any necessary changes in production be made timely.

Service Area Human Resources Summary

Service Area Human Resources Overview

Human resources for this service area include 20 full-time classified positions. Position titles and reporting structure can be found in Appendix B, Service Area Structure.

Service Area Full-Time Equivalent (FTE) Position Summary

Effective Date:	6/1/2006
Total Authorized Position level	20
Vacant Positions	4
Non-Classified (Filled).....	0
Full-Time Classified (Filled)	16
Part-Time Classified (Filled)	0
Faculty (Filled)	0
Wage	1
Contract Employees	0
Total Human Resource Level	17

Factors Impacting Service Area Human Resources

None to report.

Anticipated Changes in Service Area Human Resources

Treasury anticipates that there will be the need to replace 25% of the bank reconciliation workforce over the next two to four years due to retirements.

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Service Area Financial Summary

The budget for this service area is used primarily to fund check production costs including postage, check stock, and printer and computer hardware and software maintenance. This service area is funded by general fund appropriations and special revenue funds from fees collected from the Department of Social Services, the Virginia Employment Commission, and the Virginia Retirement System for the processing of their checks.

Treasury will request an additional appropriation to pay for the postage rate increase in 2006 and the anticipated increase in 2007. A rate increase of \$.016 per mail piece was enacted by the U. S. Postal Service for automated first class mail in 2006. Treasury prints and mails approximately 3,075,000 general warrant, tax refund, and retirement checks annually for which it receives a general fund appropriation to cover its postage costs for this service.

	<u>Fiscal Year 2007</u>		<u>Fiscal Year 2008</u>	
	General Fund	Nongeneral Fund	General Fund	Nongeneral Fund
Base Budget	\$2,524,756	\$619,355	\$2,524,756	\$619,355
Changes To Base	\$52,087	\$0	\$52,087	\$0
SERVICE AREA TOTAL	\$2,576,843	\$619,355	\$2,576,843	\$619,355

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Service Area Objectives, Measures, and Strategies

Objective 73216.01

Ensure that Commonwealth checks are printed and distributed accurately and timely in accordance with agency procedures.

The State Treasurer issues the following types of checks on behalf of the Commonwealth and the Commonwealth's check-generating agencies: payroll, vendor payment, tax refund, retirement, unemployment, child support, and social services. Because delivery of the checks is very time-sensitive due to their nature, it is imperative that the checks be issued timely and accurately to meet the needs of the check payees.

This Objective Supports the Following Agency Goals:

- Deliver statewide and agency accounting, budgeting, trust, and operational services timely and accurately while striving to improve efficiency, promote accountability, and reduce costs.
(This objective supports the agency goal to "Deliver statewide and agency accounting, budgeting, trust, and operational services timely and accurately while striving to improve efficiency, promote accountability, and reduce costs". In addition, it aligns with state objectives to be a national leader in the preservation and enhancement of our economy, to engage and inform citizens to ensure we serve their interests and to be recognized as the best managed state in the nation.)

This Objective Has The Following Measure(s):

- **Measure 73216.01.01**

Percentage of checks that are distributed timely and accurately

Measure Type: Outcome **Measure Frequency:** Quarterly

Measure Baseline: Over the last five years, the baseline for this performance measure has exceeded 99.7%.

Measure Target: The target for this performance measure is that the number of checks distributed in a timely and accurate manner will exceed 99.7%.

Measure Source and Calculation:

The data source is internal accounting records of checks printed. The calculation is the number of checks distributed each day divided by the total number of checks to be distributed each issue date based on required distribution dates for each check type. The calculation is computed on a monthly basis and averaged for the quarter.

Objective 73216.01 Has the Following Strategies:

- Treasury has memorandums of understanding (mou's) with each check-generating agency outlining the responsibilities of each agency and Treasury with regard to the Commonwealth's check production processes. Treasury will re-evaluate the mou's with the assistance of the check-generating agencies to ensure any recent changes are fully documented in the mou's.
- Treasury will re-evaluate its cross-training efforts as it relates to check production to ensure adequate backup at all levels of production.
- Treasury will continue to evaluate the adequacy of its disaster recovery plan for check production to include at least one annual testing at its backup site.